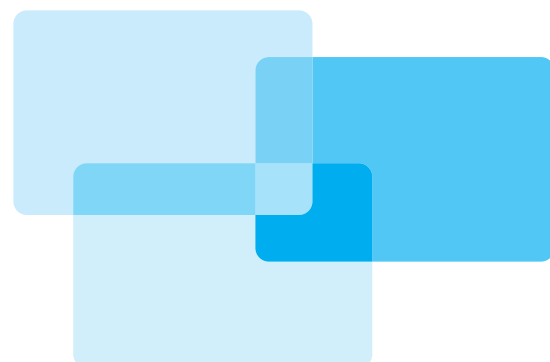


**PREPARING
THE ANNUAL STATEMENT
2005**



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Chairman
- The Honorable A. Joseph DeNucci
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Vice Chairman
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You may leave messages for any member of PERAC's Audit Staff at telephone extension 924 in our Somerville offices.

Commonwealth of Massachusetts

Public Employee Retirement Administration Commission

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Preparing the **Annual Statement** for the year ended **12.31.2005**

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Instructions

Annual Statement Submission Date

The Annual Statement forms for 2005 must be completed, signed and returned to the Public Employee Retirement Administration Commission by May 1, 2006.

December Cashbook and Pre-closing Trial Balance Submission Date

To ensure that all accounting is current, all retirement boards must submit their December Cashbook and Pre-closing Trial Balances to PERAC by February 28, 2006. If your board is having difficulty adhering to this deadline, please contact the PERAC Audit staff at extension 924.

PERAC Auditors

A PERAC auditor will be assigned to work with each retirement board and provide any technical assistance that is needed.

Reminders

Market Value of Fixed Income Securities

Effective December 31, 1999, fixed income securities are to be adjusted to market value rather than the amortized value. Any gain or loss on the sale of a fixed income security will be calculated as the difference between the sale price and the most recent market value of the security (the prior December 31st or the date of purchase, whichever occurs later).

Mortgage Bonds purchased on or after January 1, 2000 have already been amortized. Therefore, the increase or decrease in market value is the difference between the December 31st par value and the December 31st market value. After January 1st, it is no longer necessary to amortize these bonds and all pay-downs for mortgage bonds will result in a gain or loss. These gains or losses can be calculated by using the same percent of the par value being paid down for the percent of market value. For example, for a \$100,000 bond with a market value of \$90,000 and a pay-down of \$1,000 par (or 1% of \$100,000), the market value used for the gain or loss is 1% of 90,000 or \$900, resulting in a loss of \$100 (\$1,000-\$900).

Signature Page

The word chairman has been removed from the ex-officio line. You must place an asterisk next to the board member that serves as chair.

Assets and Liabilities Page

On Line 3 you must display the Market Value of Fixed Income Securities.

Schedule 3A

Column (C) has been changed from Amortization Increase/Decrease to Unrealized Gain/Loss. Do not show any amortization that occurred during the year of the purchase for mortgage securities on this schedule.

Specific Requirements

Completion of the Appendix

Please be sure to complete the Appendix to the Annual Statement that includes the plan description (page 1), significant accounting policies (page 2) and actuarial information (page 3). The first 2 pages of the Appendix include a plan description and details about significant accounting policies. Each

system must examine these pages carefully and change any wording that does not apply to their system. The last page of the Appendix must include actuarial information based on your system's actuarial valuations. Please enter information from your last 3 valuations in the Schedule of Funding Progress. Additionally, you must attach a copy of your most recently approved funding schedule. If you need assistance to complete the actuarial information, please contact this office.

Schedules 1-6

If you submit Schedules 1 through 6 from a custodian and the schedules are not in the prescribed format, you must type the totals on PERAC's schedules and make page references to the custodial statement. Please be sure that all schedules are totaled and that these amounts agree with the corresponding amounts on your Annual Statement.

Paper Length

Computer generated forms must be printed on paper that is no longer than 8.5 inches by 14 inches. If your paper is longer, you must print in an area no bigger than 8.5 inches by 14 inches and cut off the excess prior to mailing to PERAC.

Steps to Complete the Annual Statement for 2005

Step One

Prepare a pre-closing General Ledger.

Step Two

Prepare a pre-closing Trial Balance.

Step Three

Complete the Cash Reconciliation utilizing Bank Statements for cash accounts as of December 31, 2005.

Step Four

Complete the Supplementary Schedule

- A. The beginning balance in the Annuity Savings Fund for 2005 must equal the ending balance at December 31, 2004.
- B. Total deductions for 2005 must equal the totals in December General Ledger Accounts #4891, #4892, and #4893.
- C. Calculate published interest rate for 2005 (published rate for beginning account balances). Credit with interest all member accounts that carried balances as of December 31, 2004 and were not refunded, transferred, or retired.
- D. Determine transfers to other systems (#5756) and refunds to members (#5757).
- E. Transfer current year retirements from the Annuity Savings Fund to the Annuity Reserve Fund.
- F. Make transfers to the Pension Fund for Section 12B items.
- G. Transfer to the Pension Reserve Fund all account balances that have been inactive for more than ten years and any interest not refunded (#4822).
- H. Steps lead to ending balance at December 31, 2005

Step Five

Calculate the Annuity Reserve Fund interest by multiplying the balance in the Fund at the end of each month by .0025. Begin with the balance as of **December 31st of last year** and use the balance in the Fund at the end of each month through **November 30th**.

Step Six

Complete the Investment Schedules. (It is important to remember that investments which were traded in 2005 but not settled until 2006 must be included in the 2005 Annual Statement.)

- A. Determine the accrued interest.
- B. Adjust equities to market value as of December 31st.
- C. Determine current year investment income.
- D. Adjust fixed income securities to market value as of December 31st.

Step Seven

Obtain investment manager reports for year ending December 31, 2005 to complete Schedule 5 of Pooled Funds.

Step Eight

Determine Accounts Receivable and Accounts Payable and make appropriate Journal entries. All receivables and payables must be listed on Schedule A of the Annual Statement.

Step Nine

Next, make the adjusting entries as indicated in the Year End Adjusting Entry Section of this guide on pages 11 and 12.

Step Ten

Prepare an Adjusted ("Before Closing") Trial Balance. You can enter the appropriate figures into the *Annual Statement* by using the "before closing trial balances." Complete Investment Income (*Annual Statement*, page 6) first. Next complete Receipts (*Annual Statement*, page 4) and Disbursements (*Annual Statement*, page 5), using the balances before closing, with the following exception. Use the amounts from the bottom of Investment Income (*Annual Statement*, page 6) for Receipts (*Annual Statement*, page 4, 1(e), 2 (a), 4(b), 5(b), and 6(e)).

Step Eleven

Complete Statement of Fund Balances (*Annual Statement*, page 3) next; enter the Ending Balances from last year for the Beginning Fund Balances. Next, take the totals of the Receipts and Disbursements for each Fund from (*Annual Statement*, pages 4 and 5). List inter-fund transfers on the bottom half of (*Annual Statement*, page 3). Include both the inter-fund transfers made during the year and those made at the end of the year. Do not treat interest-refunded as an interfund transfer. It should be noted as a Receipt on (*Annual Statement*, page 4, line 6c). You must lump together all items of the same nature. For example, all transfers from the Annuity Savings Fund to the Annuity Reserve Fund made on account of retirement must be listed as one total. Finally, by adding the Beginning Balance to the Receipts and inter-fund transfers (if negative amount, subtract) and subtracting the Disbursements, you will have the balance for December 31st.

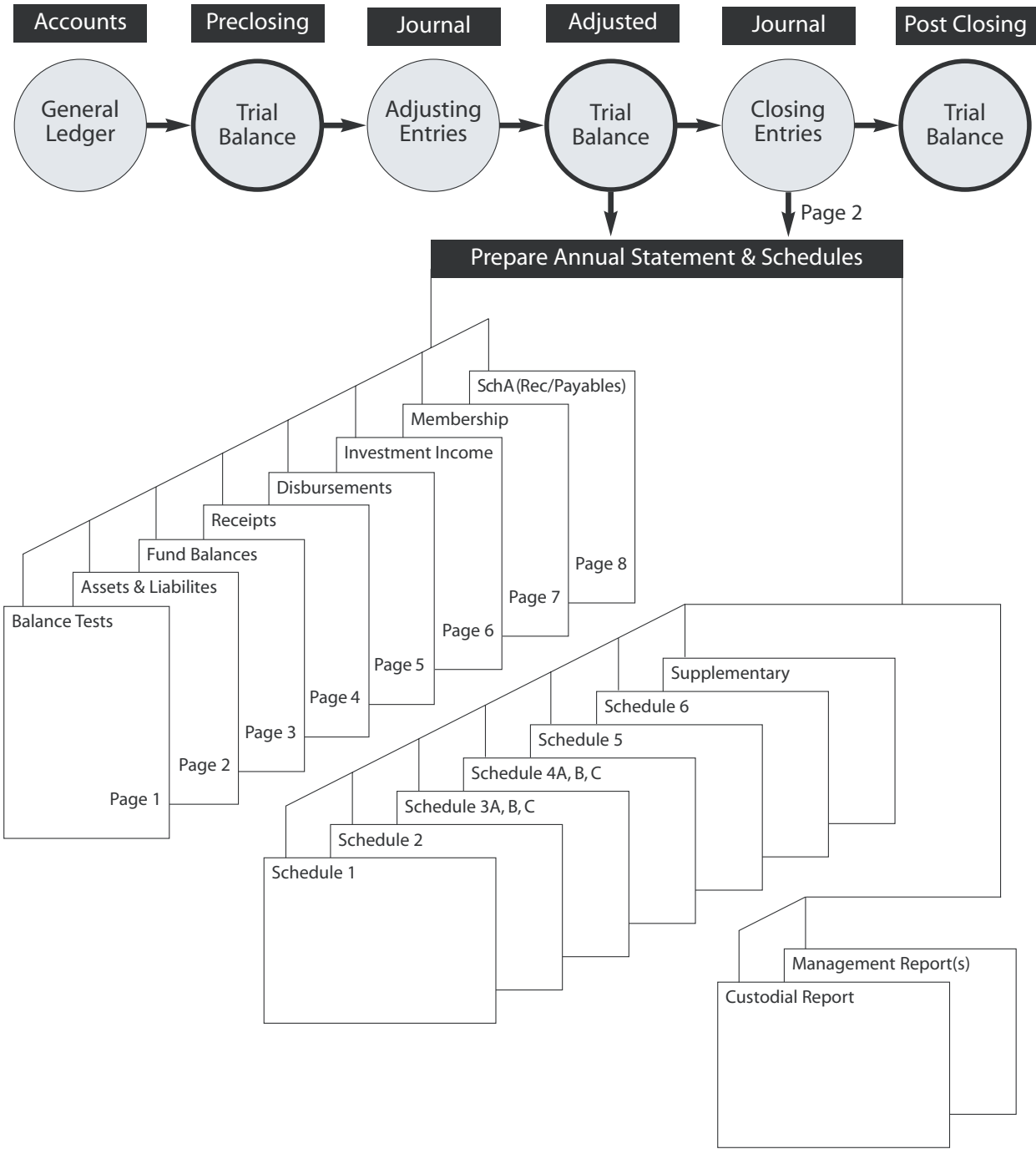
Step Twelve

Next, make the closing entries as indicated on pages 16 through 17 of this guide. The fund balances must agree with balances on the Statement of Fund Balances (*Annual Statement*, page 3). If they do not, then there is a problem that you must correct.

Step Thirteen

Prepare a Post Closing Trial Balance.

Chart 1: The Annual Statement Preparation Process



Ledger Accounts

General Ledger

The general ledger is the final product of the year-end accounting cycle. The general ledger is the continuous record of entries made throughout the year to the specific asset, liabilities and operating accounts. The general ledger is the official recorded document of the status of the retirement system's accounts. It must be an accurate and up-to-date reflection of assets and operating accounts.

Listing of Accounts

A listing of all Ledger Accounts follows. On this page, all the Control Accounts are listed. All Subsidiary Accounts and the fund to which each Subsidiary closes are included on the following page. Additionally, it has been indicated whether the balance should be a debit or a credit balance along with the reference page number from the *Accounting Manual*. Please refer to Chapters 5 and 7 of the *Accounting Manual* when you close your books for the year.

Control Accounts

Assets		Balance	Manual Reference
1040	Cash (Bank Name and Acct. No.)	Debit	2-1, 2-2
1041	Cash (Bank Name and Acct. No.)	Debit	2-1, 2-2
1042	Cash (Bank Name and Acct. No.)	Debit	2-1, 2-2
1043	Cash (Bank Name and Acct. No.)	Debit	2-1, 2-2
1100	Short Term Investments	Debit	4-2
1180	Fixed Income Securities	Debit	4-3, 4-9
1170	Equities	Debit	4-4, 4-17
1101	Pooled Short Term Funds	Debit	
1172	Pooled Domestic Equity Funds	Debit	
1173	Pooled International Equity Funds	Debit	
1174	Pooled Global Equity Funds	Debit	
1181	Pooled Domestic Fixed Income Funds	Debit	
1182	Pooled International Fixed Income Funds	Debit	
1183	Pooled Global Fixed Income Funds	Debit	
1193	Pooled Alternative Investments/Private Equity	Debit	
1194	Pooled Real Estate Funds	Debit	
1195	Pooled Domestic Balanced Funds	Debit	
1196	Pooled International Balanced Funds	Debit	
1198	PRIT Cash Fund	Debit	
1199	PRIT CORE Fund	Debit	
1398	Account Receivable	Debit	7-2
1550	Interest Due and Accrued	Debit	5-8
2020	Accounts Payable	Credit	7-1
Funds			
3293	Annuity Savings Fund	Credit	5-1, 5-10
3294	Annuity Reserve Fund	Credit	5-1, 5-10
3295	Special Fund for Military Service Credit	Credit	5-1, 5-10
3296	Pension Fund	Credit	5-1, 5-10
3297	Pension Reserve Fund	Credit	5-1, 5-10
3298	Expense Fund	Credit	5-1, 5-10

Subsidiary Accounts

Receipts		Balance	Close to	Manual Reference
4891	Members Deductions	Credit	3293	3-1, 3-14
4892	Transfers From Other Systems	Credit	3293	3-2
4893	Member Make Up Payments and Redeposits	Credit	3293	3-3
4900	Member Payments from Rollovers	Credit	3293	
4898	3(8)(c) Reimbursements from Other Systems	Credit	3296	3-7
4899	Received from Commonwealth for COLA and Survivor Benefits	Credit	3296	3-5
4884	Realized Gain/Profit on Sale of Investments	Credit	4820	4-9
4885	Realized Loss/Loss on Sale of Investments	Debit	4820	4-10
4886	Unrealized Gain (Change in Market Value)	Credit	4820	4-28
4887	Unrealized Loss (Change in Market Value)	Debit	4820	4-29
4894	Pension Fund Appropriation	Credit	3296	3-4, 7-3
4895	Pension Reserve Appropriation	Credit	3297	3-8
4896	Expense Fund Appropriation	Credit	3298	3-6, 7-3
4897	Federal Grant Reimbursement	Credit	3297	3-18
4890	Contributions Received from Municipality on Account of Military Service	Credit	3295	3-9
4820	Investment Income - Control Account	Credit	3293	4-25, 5-10
			3294	
			3295	
			3297	
			3298	
4821	Investment Income Received	Credit	4820	4-25, 5-10
4822	Interest Not Refunded	Credit	3297	3-13, 5-9
4823	Paid Accrued Interest on Fixed Income Securities	Credit	4820	4-3, 5-10
4825	Miscellaneous Income	Credit	3297	
Disbursements				
5757	Refunds to Members	Debit	3293	3-12, 3-11
5756	Transfers to Other Systems	Debit	3293	3-12
5750	Annuities Paid	Debit	3294	3-15
5759	Option B Refunds	Debit	3294	3-15
5751	Pensions Paid	Debit	3296	3-15
5755	3(8)(c) Reimbursements to Other Systems	Debit	3296	3-17
5752	COLAs Paid	Debit	3296	3-15, 3-10
5753	Chapter 389 Beneficiary Increase Paid	Debit	3296	3-15
5118	Board Member Stipend	Debit	3298	3-16, 5-10
5119	Staff Salaries	Debit	3298	3-16, 5-10
5308	Legal Expenses	Debit	3298	3-16, 5-10
5309	Medical Expenses	Debit	3298	3-16, 5-10
5310	Fiduciary Insurance	Debit	3298	
5311	Service Contracts	Debit	3298	
5312	Rent Expense	Debit	3298	
5719	Travel	Debit	3298	3-16, 5-10
5589	Administrative Expenses	Debit	3298	3-16, 5-10
5599	Furniture and Equipment	Debit	3298	3-16, 5-10
5304	Management Fees (Expense Fund)	Debit	3298	3-16, 5-10
5305	Custodial Fees (Expense Fund)	Debit	3298	3-16, 5-10
5307	Investment Consultant Fees (Expense Fund)	Debit	3298	3-16, 5-10

Pre-closing Trial Balance

Each month, after all entries have been posted to the general ledger, a list should be made of all ledger accounts and their balances, with the debits listed in one column and the credits in another column. The total of all debits must equal the total of all credits.

The pre-closing trial balance summarizes all transactions that have occurred during the year. The pre-closing trial balance also updates previous balances in asset accounts with the activity that has been booked and reflects current year-end balances in asset accounts with the activity that has been booked and reflects current year-end balances of those accounts.

The pre-closing trial balance on the next three pages represents sample Trial Balance totals for the full year up to this point in time.

Chart 2.1: Pre-closing Trial Balance Report as of December 31, 2005

<u>Description</u>	<u>Account Number</u>	<u>Ending Balance</u>	
		Debits	Credits
Assets		\$	\$
Cash	1040-49	x	
Short Term Investments	1100	x	
Pooled Short Term Funds	1101	x	
Equities	1170	x	
Treasurers Management Trust	1171	x	
Pooled Domestic Equity Trust	1172	x	
Pooled International Equity Funds	1173	x	
Pooled Global Equity Funds	1174	x	
Fixed Income Securities (Market Value)	1180	x	
Pooled Domestic Fixed Income Fund	1181	x	
Pooled International Fixed Income Fund	1182	x	
Pooled Global Fixed Income Funds	1183	x	
Pooled Private Equity (Venture Capital)	1193	x	
Pooled Real Estate Funds	1194	x	
Pooled Domestic Balanced Funds	1195	x	
Pooled International Balance Funds	1196	x	
Options	1197	x	
PRIT Cash Fund	1198	x	
PRIT Capital Fund	1199	x	
Accounts Receivable Control Account	1398	x	
Interest/Dividends Due & Accrued	1550	x	
Principal Adjustment Control Account	1891	x	
Sub Totals			
Accounts Payable			
Accounts Payable	2020		x
Sub Totals			
Funds			
Annuity Savings Fund Control Account	3293		x
Annuity Reserve Fund	3294		x
Special Military Service Credit Fund	3295		x
Pension Fund Control Account	3296		x
Pension Reserve Fund Control	3297		x
Expense Fund	3298		x
Sub Totals			

Chart 2.2: Pre-closing Trial Balance Report as of December 31, 2005

<u>Description</u>	<u>Account Number</u>	<u>Ending Balance</u>	
		Debits	Credits
Receipts			
Investment Income Control	4820		x
Investment Income Received	4821		x
Interest Not Refunded	4822		x
Paid Accrued Interest on Fixed Inc. Sec.	4823		x
Miscellaneous Income	4825		x
Mil. Ser. Funds Ret. to Municipality	4880	x	
Profit on Sale of Investments	4884		x
Loss on Sale of Investments	4885	x	
Increase in Market Value (Unrealized)	4886		x
Decrease in Market Value (Unrealized)	4887	x	
Contrib. Rec'd for Military Service	4890		x
Members' Deductions	4891		x
Transfers from Other Systems	4892		x
Members' Make Up & Redeposits	4893		x
Member Payments From Rollovers	4900		x
Pension Fund Appropriation	4894		x
Pension Reserve Appropriation	4895		x
Expense Fund Appropriation	4896		x
Federal Grant Reimbursement	4897		x
3(8)(c) Reimbursement from Other Systems	4898		x
Received from Comm. for COLA & Sur.	4899		x
Sub Totals			
Disbursements			
Board Member Stipend	5118	x	
Staff Salaries	5119	x	
Management Fees	5304	x	
Custodial Fees	5305	x	
Investment Consultant Fees	5307	x	
Legal Expenses	5308	x	
Medical Expenses	5309	x	
Fiduciary Insurance	5310	x	
Service Contracts	5311	x	
Rent Expense	5312	x	

Chart 2.3: Pre-closing Trial Balance Report as of December 31, 2005

<u>Description</u>	<u>Account Number</u>	<u>Ending Balance</u>	
		Debits	Credits
Administrative Expenses	5589	x	
Furniture & Equipment	5599	x	
Travel	5719	x	
Annuities Paid	5750	x	
Pensions Paid	5751	x	
COLAs Paid	5752	x	
Chapter 389 Beneficiary Increase Paid	5753	x	
3(8)(c) Reimbursement to Other Systems	5755	x	
Transfers to Other Systems	5756	x	
Refunds to Members	5757	x	
Option B Refunds	5759	x	
Sub Totals			
Subsidiary Accounts			
Regular Pension Payments	9001	x	
Survivorship Payments	9002	x	
Ordinary Disability Payments	9003	x	
Accidental Disability Payments	9004	x	
Accidental Death Payments	9005	x	
Section 101 Benefits	9006	x	
Other Pension - Non-Contributory	9007	x	
Cash Income	9010		x
Short Term Investments Income	9011		x
Fixed Income Securities Income	9012		x
Equities Income	9013		x
Mutual/Commingled R/E Fund Inc	9014		x
Mutual/Commingled Venture Cap	9015		x
PRIT Cash Fund Income	9016		x
PRIT Capital Fund Income	9017		x
Treasurer's Management Trust Inc.	9018		x
Treasurer's Fixed Income	9019		x
Commission Recapture	9020	x	
Pooled Fund	9021	x	x
Invest Income Credited to Members Accts.	9030		x
Invest Income Credited Annuity Reserve Fund	9031		x
Invest Income Credited Military Service Fund	9032		x
Excess Investment Income	9033		x
Investment Income to Expense	9034		x
Pension Paid Subsidiary Control	9100		x
Investment Income Subsidiary Control	9110		x
Investment Income Subsidiary Control	9130		x
Prior Year Due and Accrued Control	9200		x
Prior Year Due and Accrued	9210		x
Sub Totals			
Grand Totals	\$		\$

Year End Adjusting Journal Entries

Journal Entries

Journal entries are to be numbered consecutively and dated. An explanation should be provided for each entry. The debits and credits for each entry must equal. All journal entries must be posted to the appropriate ledger account in the general ledger.

Adjusting Journal Entries

Make adjusting entries to reflect activity such as unrealized gains and losses, and fund transfers. This activity must be documented to accurately reflect the status of operating accounts and transfers between funds. Such adjusting entries should be posted in the same month in which the activity, to which they relate, occurs. Adjusting entries must also be made to correct errors in previously booked activity.

To close out Interest Due and Accrued, as of the **previous** December 31st:

a	DEBIT Investment Income	(Ledger #4820)
	CREDIT Interest Due and Accrued on Fixed Income Securities	(Ledger #1550)

Make the following journal entry for Interest Due and Accrued, as of December 31st of the **current** year:

b	DEBIT Interest Due and Accrued on Fixed Income Securities	(Ledger #1550)
	CREDIT Investment Income	(Ledger #4820)

When unrealized gains or losses (changes in market values) occur or are reported in the Investment Manager's Monthly/or Quarterly Report, an entry must be made to reflect that increase or decrease in market value.

To record unrealized gains:

c	DEBIT Equities	(Ledger #1170)
	CREDIT Unrealized Gain (Increase in Market Value)	(Ledger #4886)

To record unrealized losses:

d	DEBIT Unrealized Loss (Decrease in Market Value)	(Ledger #4887)
	CREDIT Fixed Income Securities	(Ledger #1180)

For members who retire during the month, transfer the member’s account from the Annuity Savings Fund to the Annuity Reserve Fund. The member is no longer active and no deductions or contributions will be taken. Upon retirement, the Annuity portion of the Member’s pension will come from the Annuity Reserve Fund.

To transfer balance in ASF to ASR when a member retires.

e	DEBIT Annuity Savings Fund	(Ledger #3293)
	CREDIT Annuity Reserve Fund	(Ledger #3294)

Determine whether there are any Accounts Receivable or Accounts Payable. Refer to Chapter 7 of the *Accounting Manual*. Enter all Accounts Receivable and Accounts Payable on Schedule A of the Annual Statement.

To record Receivables:

f	DEBIT Accounts Receivable	(Ledger #1398)
	CREDIT Appropriate Accounts	

To record Payables:

g	DEBIT Appropriate Accounts	
	CREDIT Accounts Payable	(Ledger #2020)

To record Annuity Reserve Interest:

h	DEBIT Investment Income	(Ledger#4821)
	CREDIT Annuity Reserve Fund	(Ledger #3294)

Adjusting Entries: Errors

In any given month, it may be necessary to make adjusting entries to correct errors found in previous month’s journals, or account funds, etc. Please check the typical balance (debit or credit) for the account you are correcting.

Chart 3.1: Trial Balance Report as of December 31, 2005

Dr. = Debit Cr. = Credit
 ● = Adjusting Journal Entries ■ = Closing Entries

Description	Account Number	Pre-closing Trial Balance	Adjusting Journal Entries	Adjusted Trial Balance	Closing Journal Entries	Post Closing Trial Balance
Assets						
Cash	1040-49			Sch 1		
Short Term Investments	1100			Sch 2		
Pooled Short Term Funds	1101			↓		
Equities	1170		Dr. ●	Sch 4A,B,C		
Treasurers Management Trust	1171			Sch 5		
Pooled Domestic Equity Trust	1172			↓		
Pooled International Equity Funds	1173			↓		
Pooled Global Equity Funds	1174			↓		
Fixed Income Securities (Market Value)	1180		Cr. ●	Sch 3A, B, C		
Pooled Domestic Fixed Income Fund	1181			Sch 5		
Pooled International Fixed Income Fund	1182			↓		
Pooled Global Fixed Income Funds	1183			↓		
Pooled Private Equity (Venture Capital)	1193			↓		
Pooled Real Estate Funds	1194			↓		
Pooled Domestic Balanced Funds	1195			↓		
Pooled International Balance Funds	1196			↓		
Options	1197			↓		
PRIT Cash Fund	1198			↓		
PRIT Capital Fund	1199			↓		
Accounts Receivable Control Account	1398		Dr. ●	Sch A		
Interest/Dividends Due & Accrued	1550		Cr. ● Dr. ●			
Principal Adjustment Control Account	1891					
Sub Totals						
Accounts Payable						
Accounts Payable	2020		Cr. ●	Sch A		
Sub Totals						
Funds						
Annuity Savings Fund Control Account	3293		Dr. ●	Various	1 2 12	
Annuity Reserve Fund	3294		Cr. ● + Cr. ●		3 12	
Special Military Service Credit Fund	3295				9 12	
Pension Fund Control Account	3296				4 5	
Pension Reserve Fund Control	3297				6 12	
Expense Fund	3298				7 8 12	
Sub Totals				Page 3		

Chart 3.2: Trial Balance Report as of December 31, 2005

Chart 3.2: Trial Balance Report as of December 31, 2005					Dr. = Debit	Cr. = Credit
					● = Adjusting Journal Entries	■ = Closing Entries
Description	Pre-closing Trial Balance	Adjusting Journal Entries	Adjusted Trial Balance	Closing Journal Entries	Post Closing Trial Balance	
Receipts						
Investment Income Control	4820	Dr. a Cr. b		10 11 12		
Investment Income Received	4821	Dr. h	Page 6	11		
Interest Not Refunded	4822		Page 2, 6	6		
Paid Accrued Interest on Fixed Inc. Sec.	4823		Page 6	10		
Miscellaneous Income	4825		Page 2	6		
Mil. Ser. Funds Ret. to Municipality	4880					
Profit on Sale of Investments	4884		Page 6	11		
Loss on Sale of Investments	4885		Page 6	10		
Increase in Market Value (Unrealized)	4886	Cr. c	Page 6	11		
Decrease in Market Value (Unrealized)	4887	Dr. d	Page 6	10		
Prin. Adj. Account - Amortized Loss	4888		Page 5			
Prin. Adj. Account - Amortized Gain	4889					
Contrib. Rec'd for Military Service	4890		Page 5	9		
Members' Deductions	4891		Page 4	1		
Transfers from Other Systems	4892		↓	1		
Members' Make Up & Redeposits	4893			1		
Member Payments from Rollovers	4900			1		
Pension Fund Appropriation	4894			5		
Pension Reserve Appropriation	4895			6		
Expense Fund Appropriation	4896			8		
Federal Grant Reimbursement	4897			6		
3(8)(c) Reimbursement from Other Systems	4898			5		
Received from Comm for COLA & Sur.	4899			5		
Sub Totals						
Disbursements						
Board Member Stipend	5118		Page 5	7		
Staff Salaries	5119		↓	7		
Management Fees	5304			7		
Custodial Fees	5305			7		
Investment Consultant Fees	5307			7		
Legal Expenses	5308			7		
Medical Expenses	5309			7		
Fiduciary Insurance	5310			7		
Service Contracts	5311			7		
Rent Expense	5312			7		
(continued on page 15)						

Chart 3.3: Trial Balance Report as of December 31, 2005

Dr. = Debit Cr. = Credit
 ● = Adjusting Journal Entries ■ = Closing Entries

Description	Account Number	Pre-closing Trial Balance	Adjusting Journal Entries	Adjusted Trial Balance	Closing Journal Entries	Post Closing Trial Balance
Administrative Expenses	5589			Page 5	7	
Furniture & Equipment	5599				7	
Travel	5719				7	
Annuities Paid	5750				3	
Pensions Paid	5751				4	
COLAs Paid	5752				4	
Chapter 389 Beneficiary Increase Paid	5753				4	
3(8)(c) Reimbursement to Other Systems	5755				4	
Transfers to Other Systems	5756				2	
Refunds to Members	5757				2	
Option B Refunds	5759				3	
Sub Totals						

Subsidiary Accounts

Regular Pension Payments	9001					
Survivorship Payments	9002					
Ordinary Disability Payments	9003					
Accidental Disability Payments	9004					
Accidental Death Payments	9005					
Section 101 Benefits	9006					
Other Pension - Non-Contributory	9007					
Cash Income	9010					
Short Term Investments Income	9011					
Fixed Income Securities Income	9012					
Equities Income	9013					
Mutual/Commingled R/E Fund Inc	9014					
Mutual/Commingled Venture Cap	9015					
PRIT Cash Fund Income	9016					
PRIT Capital Fund Income	9017					
Treasurer's Management Trust Inc.	9018					
Treasurer's Fixed Income	9019					
Commission Recapture	9020					
Pooled Fund	9021					
Invest Income Credited to Members Accts.	9030					
Invest Income Credited Annuity Reserve Fund	9031					
Invest Income Credited Military Service Fund	9032					
Excess Investment Income	9033					
Investment Income to Expense	9034					
Pension Paid Subsidiary Control	9100					
Investment Income Subsidiary Control	9110					
Investment Income Subsidiary Control	9130					
Prior Year Due and Accrued Control	9200					
Prior Year Due and Accrued	9210					
Sub Totals						
Grand Totals		\$				

Year End Closing Entries

Closing Entries

Before you close out the subsidiary accounts to their proper funds, use their balances to compile the Receipts and Disbursements Pages of the *Annual Statement*. Once this has been completed, you may make the following closing entries:

1	DEBIT Members' Deductions	(Ledger #4891)
	DEBIT Transfers from Other Systems	(Ledger #4892)
	DEBIT Member Make Up Payments & Redeposits	(Ledger #4893)
	DEBIT Member Payments from Rollovers	(Ledger #4900)
	CREDIT Annuity Savings Fund	(Ledger #3293)
2	DEBIT Annuity Savings Fund	(Ledger #3293)
	CREDIT Refunds to Members	(Ledger #5757)
	CREDIT Transfer to Other Systems	(Ledger #5756)
3	DEBIT Annuity Reserve Fund	(Ledger #3294)
	CREDIT Annuities Paid	(Ledger #5750)
	CREDIT Option B Refunds	(Ledger #5759)
4	DEBIT Pension Fund	(Ledger #3296)
	CREDIT Pensions Paid	(Ledger #5751)
	CREDIT 3(8)(c) Reimbursement to Other Systems	(Ledger #5755)
	CREDIT COLAs Paid	(Ledger #5752)
	CREDIT Chapter 389 Benefits Paid	(Ledger #5753)
5	DEBIT 3(8)(c) Reimbursements from Other Systems	(Ledger #4898)
	DEBIT Received from Comm. for COLAs and Chapter 389 Paid	(Ledger #4899)
	DEBIT Pension Fund Appropriation	(Ledger #4894)
	CREDIT Pension Fund	(Ledger #3296)
6	DEBIT Federal Grant Reimbursement	(Ledger #4897)
	DEBIT Pension Reserve Appropriation	(Ledger #4895)
	DEBIT Interest Not Refunded	(Ledger #4822)
	DEBIT Miscellaneous Income	(Ledger #4825)
	CREDIT Pension Reserve Fund	(Ledger #3297)

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DEBIT Expense Fund	(Ledger #3298)
CREDIT Board Member Stipend	(Ledger #5118)
CREDIT Salaries	(Ledger #5119)
CREDIT Legal Expenses	(Ledger #5308)
CREDIT Medical Expenses	(Ledger #5309)
CREDIT Fiduciary Insurance	(Ledger #5310)
CREDIT Service Contracts	(Ledger #5311)
CREDIT Rent Expense	(Ledger #5312)
CREDIT Travel	(Ledger #5719)
CREDIT Administrative Expenses	(Ledger #5589)
CREDIT Furniture and Equipment	(Ledger #5599)
CREDIT Management Fees	(Ledger #5304)
CREDIT Custodial Fees	(Ledger #5305)
CREDIT Consultant Fees	(Ledger #5307)

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THIS ENTRY IS ONLY FOR SYSTEMS THAT STILL HAVE AN EXPENSE FUND APPROPRIATION

DEBIT Expense Fund Appropriation	(Ledger #4896)
CREDIT Expense Fund	(Ledger #3298)

9

DEBIT Special Fund for Military Service Credit	(Ledger #4890)
CREDIT Special Fund for Military Service Credit	(Ledger #3295)

10

DEBIT Investment Income	(Ledger #4820)
CREDIT Paid Accrued Interest on Fixed Income Securities	(Ledger #4823)
CREDIT Realized Loss/Loss on Sale of Investments	(Ledger #4885)
CREDIT Unrealized Loss	(Ledger #4887)

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DEBIT Investment Income Received	(Ledger #4821)
DEBIT Realized Gain/Profit on Sale of Investments	(Ledger #4884)
DEBIT Unrealized Gain	(Ledger #4886)
CREDIT Investment Income	(Ledger #4820)

Close the Investment Income Account to the Annuity Savings, Annuity Reserve, Expense, and Military Service Funds for the amount of interest required for these funds, with the balance going into the Pension Reserve Fund:

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DEBIT Investment Income	(Ledger #4820)
CREDIT Annuity Savings Fund	(Ledger #3293)
CREDIT Annuity Reserve Fund*	(Ledger #3294)
CREDIT Special Fund For Military Service	(Ledger #3295)
CREDIT Expense Fund**	(Ledger #3298)
CREDIT Pension Reserve Fund	(Ledger #3297)

* Use the worksheet on page 18 for the calculation of interest for the Annuity Reserve Fund.

** Transfer the exact amount that will result in a zero balance in the Expense Fund.

Annuity Reserve Interest Calculation

To calculate interest required for the Annuity Reserve Fund (3294), begin with the balance on December 31st of the prior year. Subtract from that balance any debits such as annuities paid (5750), option B refunds paid (5759) , and any transfer resulting from a surplus in the Annuity Reserve Fund (3294). Next, add any credits such as transfers from the Annuity Savings Fund and any transfer resulting from a deficit in the Annuity Reserve fund. Then multiply each monthly balance by .0025. Lastly, enter the total of the **12 months' interest** as an adjusting entry and add it to the balance of December 31st of the statement year.

	Debit Balance		Credit Balance		
	5750	5759	3294	Balance	x .0025
December 31st (Prev Yr.)	_____	_____	_____	_____	_____
January 31st	_____	_____	_____	_____	_____
February 28th	_____	_____	_____	_____	_____
March 31st	_____	_____	_____	_____	_____
April 30th	_____	_____	_____	_____	_____
May 31st	_____	_____	_____	_____	_____
June 30th	_____	_____	_____	_____	_____
July 31st	_____	_____	_____	_____	_____
August 31st	_____	_____	_____	_____	_____
September 30th	_____	_____	_____	_____	_____
October 31st	_____	_____	_____	_____	_____
November 30th	_____	_____	_____	_____	_____
December 31st	_____	_____	_____	_____	_____
Adj. Entry	_____	_____	_____	_____	_____

DEBIT Investment Income	(Ledger #4821)
CREDIT Annuity Reserve Fund	(Ledger #3294)

Chart 4.1: Post-closing Trial Balance Report as of December 31, 2005

<u>Description</u>	<u>Account Number</u>	<u>Ending Balance</u>	
		<u>Debits</u>	<u>Credits</u>
Assets		\$	\$
Cash	1040-49		
Short Term Investments	1100		
Pooled Short Term Funds	1101		
Equities	1170		
Treasurers Management Trust	1171		
Pooled Domestic Equity Trust	1172		
Pooled International Equity Funds	1173		
Pooled Global Equity Funds	1174		
Fixed Income Securities (Market Value)	1180		
Pooled Domestic Fixed Income Fund	1181		
Pooled International Fixed Income Fund	1182		
Pooled Global Fixed Income Funds	1183		
Pooled Private Equity (Venture Capital)	1193		
Pooled Real Estate Funds	1194		
Pooled Domestic Balanced Funds	1195		
Pooled International Balance Funds	1196		
Options	1197		
PRIT Cash Fund	1198		
PRIT Capital Fund	1199		
Accounts Receivable Control Account	1398		
Interest/Dividends Due & Accrued	1550		
Principal Adjustment Control Account	1891		
Sub Totals			
Accounts Payable			
Accounts Payable	2020		
Sub Totals			
Funds			
Annuity Savings Fund Control Account	3293	2	1 12
Annuity Reserve Fund	3294	3	12
Special Military Service Credit Fund	3295		9 12
Pension Fund Control Account	3296	4	5
Pension Reserve Fund Control	3297		6 12
Expense Fund	3298	7	8 12
Sub Totals			

Chart 4.2: Post-closing Trial Balance Report as of December 31, 2005

<u>Description</u>	<u>Account Number</u>	<u>Ending Balance</u>	
		Debits	Credits
Receipts			
Investment Income Control	4820	10 12	11
Investment Income Received	4821	11	
Interest Not Refunded	4822	6	
Paid Accrued Interest on Fixed Inc. Sec.	4823		10
Miscellaneous Income	4825	6	
Mil. Ser. Funds Ret. to Municipality	4880		
Profit on Sale of Investments	4884	11	
Loss on Sale of Investments	4885		10
Increase in Market Value (Unrealized)	4886	11	
Decrease in Market Value (Unrealized)	4887		10
Prin Adj Account - Amortized Loss	4888		
Prin Adj Account - Amortized Gain	4889		
Contrib. Rec'd for Military Service	4890	9	
Members' Deductions	4891	1	
Transfers from Other Systems	4892	1	
Members' Make Up & Redeposits	4893	1	
Member Payments from Rollovers	4900	1	
Pension Fund Appropriation	4894	5	
Pension Reserve Appropriation	4895	6	
Expense Fund Appropriation	4896	8	
Federal Grant Reimbursement	4897	6	
3(8)(c) Reimbursement from Other Systems	4898	5	
Received from Comm. for COLA & Sur.	4899	5	
Sub Totals			
Disbursements			
Board Member Stipend	5118		7
Staff Salaries	5119		7
Management Fees	5304		7
Custodial Fees	5305		7
Investment Consultant Fees	5307		7
Legal Expenses	5308		7
Medical Expenses	5309		7
Fiduciary Insurance	5310		7
Service Contracts	5311		7
Rent Expense	5312		7

(continued on page 21)

Chart 4.2: Post-closing Trial Balance Report as of December 31, 2005

<u>Description</u>	<u>Account Number</u>	<u>Ending Balance</u>	
		Debits	Credits
Administrative Expenses	5589		7
Furniture & Equipment	5599		7
Travel	5719		7
Annuities Paid	5750		3
Pensions Paid	5751		4
COLA's Paid	5752		4
Chapter 389 Beneficiary Increase Paid	5753		4
3(8)(c) Reimbursement to Other Systems	5755		4
Transfers to Other Systems	5756		2
Refunds to Members	5757		2
Option B Refunds	5759		3
Sub Totals			
Subsidiary Accounts			
Regular Pension Payments	9001		
Survivorship Payments	9002		
Ordinary Disability Payments	9003		
Accidental Disability Payments	9004		
Accidental Death Payments	9005		
Section 101 Benefits	9006		
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Short Term Investments Income	9011		
Fixed Income Securities Income	9012		
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Mutual/Commingled R/E Fund Inc	9014		
Mutual/Commingled Venture Cap	9015		
PRIT Cash Fund Income	9016		
PRIT Capital Fund Income	9017		
Treasurer's Management Trust Inc.	9018		
Treasurer's Fixed Income	9019		
Commission Recapture	9020		
Pooled Fund	9021		
Invest Income Credited to Members Accts	9030		
Invest Income Credited Annuity Reserve Fund	9031		
Invest Income Credited Military Service Fund	9032		
Excess Investment Income	9033		
Investment Income to Expense	9034		
Pension Paid Subsidiary Control	9100		
Investment Income Subsidiary Control	9110		
Investment Income Subsidiary Control	9130		
Prior Year Due and Accrued Control	9200		
Prior Year Due and Accrued	9210		
Sub Totals			
Grand Totals		\$	\$